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Can You Be More Specific?

Courts in trade secrets cases are requiring more particularized allegations.

BY LEE ANN STEVENSON

LACK OF SPECIFICITY when describing alleged trade secrets has long been the bane of defendants in trade secrets cases. Long laundry lists of alleged secrets or general claims to whole areas of information can seriously hinder a defendant's ability to formulate its defense and dispose of meritless claims. A new wave of cases, however, may change that, serving as a warning to holders of trade secrets and offering an important opportunity to those accused of misappropriating them.

The threshold question in every trade secret case, of course, is whether or not there is a trade secret to misappropriate. What is not so easy to determine, however, is when a plaintiff claiming that its trade secret has been stolen must identify the alleged secret. Courts are often faced with a chicken-and-egg problem, whereby on the one hand, an accused defendant insists on a clear articulation of the trade secrets it is alleged to have misappropriated before it is required to engage in costly discovery, and on the other hand, a plaintiff resists articulating the precise trade secrets that have been misappropriated until after it has had a chance to conduct some discovery of the defendant.

Some recent cases suggest that courts around the country are becoming increasingly impatient with plaintiffs who seek to rely on vague and general descriptions of alleged trade secrets until after discovery is underway. Several courts, for example, have held that a particularized statement of the alleged trade secret is required before discovery is permitted to commence.

In *Dura Global, Tech. Inc.*, for example, the court entered an order requiring plaintiffs to file a list identifying the trade secrets that they claimed had been misappropriated with reasonable particularity and stayed discovery until the list was provided. Civ. No. 07-cv-10945, 2008 WL 2064516, at *1 (E.D. Mich. May 14, 2008). The court rejected the plaintiffs' initial submission, which it described "as a brief identifying areas to which [plaintiffs'] trade secrets relate" rather than a list of alleged trade secrets. Id. at *2.

The court went on to state that the "reasonable particularity standard" means "that the adversary party is on notice of the nature of the claims and that the party can discern the relevancy of any requested discovery on its trade secrets." Id. See also, *Gentex Corp. v. Sutter*, Civ. No. 3:07-cv-1269, 2009 WL 467313, at *1 (M.D. Pa. Feb. 23, 2009) (requiring plaintiff to comply with the "requirement" to "identify the trade secrets with reasonable particularity" before allowing discovery); *Storagecraft Tech. Corp. v. Symantec Corp.*, Civ. No. 2:07-cv-856, 2009 WL 112434, at *2 (D. Utah Jan. 16, 2009) (plaintiff "is required to identify its claimed trade secret with reasonable particularity before being allowed discovery on that claim."); *DeRubeis v. Witten Tech. Inc.*, 244 F.R.D. 676, 680-81 (N.D. Ga. 2007) (determining to stay discovery until after the plaintiffs "identify with 'reasonable particularity' those trade secrets it believes to be at issue").

California has actually codified the "reasonable particularity" standard in Code of Civil Procedure 2019.210, which requires a plaintiff in a trade secrets case to "identify the trade secret with reasonable particularity…before commencing discovery relating to the trade secret."

Where plaintiffs have been unwilling or unable to identify their alleged trade secrets with the requisite particularity, numerous courts have granted summary judgment dismissing the trade secrets claim. In *Sit-Up Ltd. v. IAC/Interactive Corp.*, for example, the court granted defendants' summary judgment motion because the plaintiff failed to describe "the alleged trade secret with adequate specificity to inform the defendants what it is alleged to have misappropriated." No. 05 Civ. 9292, 2008 WL 463884, at *11 (S.D.N.Y. Feb. 20, 2008).

The court rejected as "vague and ambiguous" the plaintiffs' claim that "the more than one hundred individually identified alleged trade secrets were somehow combined by [plaintiff] to form a unique whole." Id. at *10.

The plaintiff in *Sutra Inc. v. Iceland Express* suffered a similar fate, as the court held that the plaintiff's proffered description of its trade secret was "far too open textured to meet the test for an identifiable trade secret." Civ. No. 04-11360, 2008 WL 2705580, at *4 (D. Mass. July 10, 2008). The court concluded that plaintiff offered "no specific description of [any] presumptively valuable features [of its system] to which access was controlled," and that "this lack of specificity is fatal to its claim." Id.

See also, *IDX Sys. Corp. v. EPIC Sys. Corp.*, 285 F.3d 581, 583-84 (7th Cir. 2002) (granting summary judgment where plaintiff provided a 43-page description of its alleged trade secrets, "effectively asserting that all information in or about its software is trade secret" and "then invit[ing] the court to hunt through the details in search of items meeting the statutory definition" of a trade secret.); *IMAX Corp. v. Cinema Tech. Inc.*, 152 F.3d 1161, 1164-65 (9th Cir. 1998) (granting summary judgment dismissing trade secret claim where plaintiff failed to "describe the subject matter of the trade secret with *sufficient particularity* to separate it from matters of general knowledge in the trade or of special knowledge of those persons…skilled in the trade.") (emphasis in original) (citation omitted).

Injunctions Also Require Specificity

Courts likewise are reluctant to grant motions seeking a preliminary injunction unless the trade secret has been specified with particularity, determining that a plaintiff is not likely to succeed on the merits if it is unable to satisfy the fundamental requirement of

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identifying a protectable trade secret.

In *Compuware Corp. v. International Business Machines*, for example, the court denied plaintiffs' motion for a preliminary injunction to stop the alleged theft of its proprietary information and trade secrets because it found the description of the trade secrets "too vague and over inclusive" and failed to indicate "which aspects of the [software] were known to the trade, and therefore not trade secrets." No. 02-cv-70906, 2003 WL 23212863 (E.D. Mich. Dec. 19, 2003).

Similarly, in *Analog Devices Inc. v. Michalski*, the court refused to grant a preliminary injunction to prevent former employees from disclosing trade secrets to their new employer where plaintiff made only "general claims concerning areas of [product] production and design" and where the injunction, if granted would "act[] as an absolute bar" to the new employer's research efforts. 157 N.C. App. 462, 468-69 (N.C. Ct. App. 2003).

Although the plaintiff in *Analog Devices* had submitted schematics and documents in support of the claim, the court denied the motion because plaintiff "failed to show what, if anything, in those schematics is specifically deserving of protection." Id.

Practice Tips for Defendants

This emerging trend in trade secrets case law should not be ignored by defendants. It suggests that they can and should be more aggressive in pushing plaintiffs to specify with particularity the trade secret that they are accusing a defendant of stealing, and that plaintiffs' refusal to do so could result in failure of the claim.

While each case is different, the recent case law suggests that a defendant to a claim of trade secret misappropriation should consider the following options:

Motion to Dismiss. If the description of the trade secret contained in the complaint is particularly general (or worse, if the complaint contains no description), consider filing a motion to dismiss for failure to state a claim, or in the alternative, for a more definite statement. While most courts remain reluctant to grant dismissal if the plaintiff has pled the elements of a claim for trade secret misappropriation, a court may enter an order requiring the plaintiff to provide a more definite description of the alleged trade secret, and the tone will be set for the plaintiff and the court regarding the requirement to specify the alleged trade secret with reasonable particularity.

Protective Order. Work on getting a protective order in place as soon as possible to prevent the plaintiff from hiding behind confidentiality concerns when asked to describe its alleged trade secrets with reasonable particularity.

Written Discovery. Serve an interrogatory asking the plaintiff to describe in detail the trade secrets that the defendant is accused of misappropriating on the first day that written discovery is permitted to be served. By serving this request first, a defendant preserves the ability to move for a protective order or a motion to stay discovery until an adequate response, describing the alleged trade secret with reasonable particularity, is received.

Serving such discovery at the first available instance sends a strong message to the plaintiff that an adequate description of the alleged trade secret is a prerequisite to continuation of the claim.

Discovery Motions. As soon as an interrogatory response is received purporting to describe alleged trade secrets but that is inadequate, consider filing a motion to compel and to stay discovery. A description is inadequate if it is overly broad or general (see *IDX Sys. Corp. v. EPIC Sys. Corp.*, 285 F.3d 581, 583-84 (7th Cir. 2002)); describes an overall business method or process (without specifying which parts are secret) (see *Sit-Up Ltd. v. IAC/Interactive Corp.*, 2008 WL 463884, at *11 (S.D.N.Y. Feb. 20, 2008)); or refers to documents without specifying what information in the documents allegedly constitutes the trade secrets (*IDX Sys.*, 285 F.3d at 583-84).

This emerging trend in trade secrets case law should not be ignored by defendants. It suggests that they can and should be **more aggressive** in pushing plaintiffs to specify with particularity the trade secret that they are accusing a defendant of stealing, and that plaintiffs' refusal to do so could result in **failure of the claim**.

Multiple policy arguments have been successfully advanced in support of staying discovery until an adequate description of the alleged trade secrets is provided. Those arguments include:

1) the desire to prevent lawsuits from turning into "fishing expeditions" to learn a competitor's trade secrets;

2) the need to determine the permissible bounds of discovery;

3) the right of the defendant to mount a defense; and

4) preventing a plaintiff from molding its alleged trade secret around the information received through discovery.

See *DeRubeis v. Witten Tech. Inc.*, 244 F.R.D. 676, 680-81 (N.D. Ga. 2007) (discussing the competing policies in favor of allowing a plaintiff to take discovery prior to identifying its trade secrets and those in favor of delaying trade secret discovery until the plaintiff has sufficiently described the secrets at issue).

Summary Judgment. If after engaging in written discovery a plaintiff still refuses to provide a description of its trade secret with reasonable particularity, filing a summary judgment motion is advisable.

Be sure, however, that attempts have been made to compel an adequate description through discovery motion practice, or else you may be sent back to the drawing board. See, e.g., *Allied Erecting & Dismantling Co. v. Genesis Equip. & Mfg. Inc.*, No. 4:06cv114, 2008 WL 3889977 (N.D. Ohio Aug. 19, 2008) (denying defendants' motion for summary judgment based on plaintiffs' failure to identify the alleged trade secret with sufficient specificity as premature because defendants had an available discovery remedy); *Charles Schwab & Co. Inc. v. Carter*, No. 04 C 7071, 2005 WL 2369815 (N.D. Ill. Sept. 27, 2005) (same).

While recent case law may provide new opportunities for defendants facing trade secret misappropriation claims, these cases also provide valuable guidance to plaintiffs seeking to file such a claim.

Guidance for Plaintiffs as Well

A plaintiff considering a claim for trade secret misappropriation should have a good understanding of, and be able to articulate, the alleged trade secrets that it is accusing the defendant of stealing before the lawsuit is filed.

While a plaintiff will likely not possess detailed information about the defendant's theft and use of the trade secrets prior to conducting discovery, a plaintiff should be able to describe with particularity the trade secrets that it believes the defendant may have stolen.

The plaintiff's goal in describing its trade secrets is to be expansive enough to encompass all secret information that the defendant might have taken, while still being specific enough in the description of each alleged trade secret to satisfy the "reasonable particularity" standard. It is of course easier to pare down the list of trade secrets that the defendant is accused of stealing if discovery does not bear out the allegations than it is to add new trade secrets once discovery is underway.

The trend in trade secrets law to encourage greater particularity at an earlier stage of cases should be encouraging to litigants on both sides of the "v." as it requires parties to focus on the particular allegations and information at issue, thus facilitating earlier resolution and potential cost savings for both defendants and plaintiffs.